U.S. Cellular Corporation

Federal-State Joint Board on Universal Service

CC Docket No. 96-45

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Overview

- The Commission Must Enforce the Core Principle of Competitive Neutrality.
- The Current System of "Per Line" Support Prevents Construction of Multiple Networks in High-Cost Areas.
- Properly Targeting Support is Critical to Controlling Fund Growth and Driving Investment to High-Cost Areas.
- States Must be Given Guidance That the Broad Preemption Contained in Section 332 Must be Honored.

Competitive Neutrality

- Section 254 is about delivering choices to rural consumers, not protecting any class of carrier.
- All U.S. Cellular asks is competitively neutral rules of the road, not a set aside.
- Intercarrier compensation, LNP delays, access to numbers, and illegal wireline tariffs must all be dealt with to ensure consumers have competitive choices.
- Proposals to limit fund growth by having regulators pick winners must be rejected.
- All qualified carriers should be granted ETC status under a system that requires investment which is targeted to high-cost areas.

Per-Line Support Limits Fund Growth and Prevents Stranded Investment

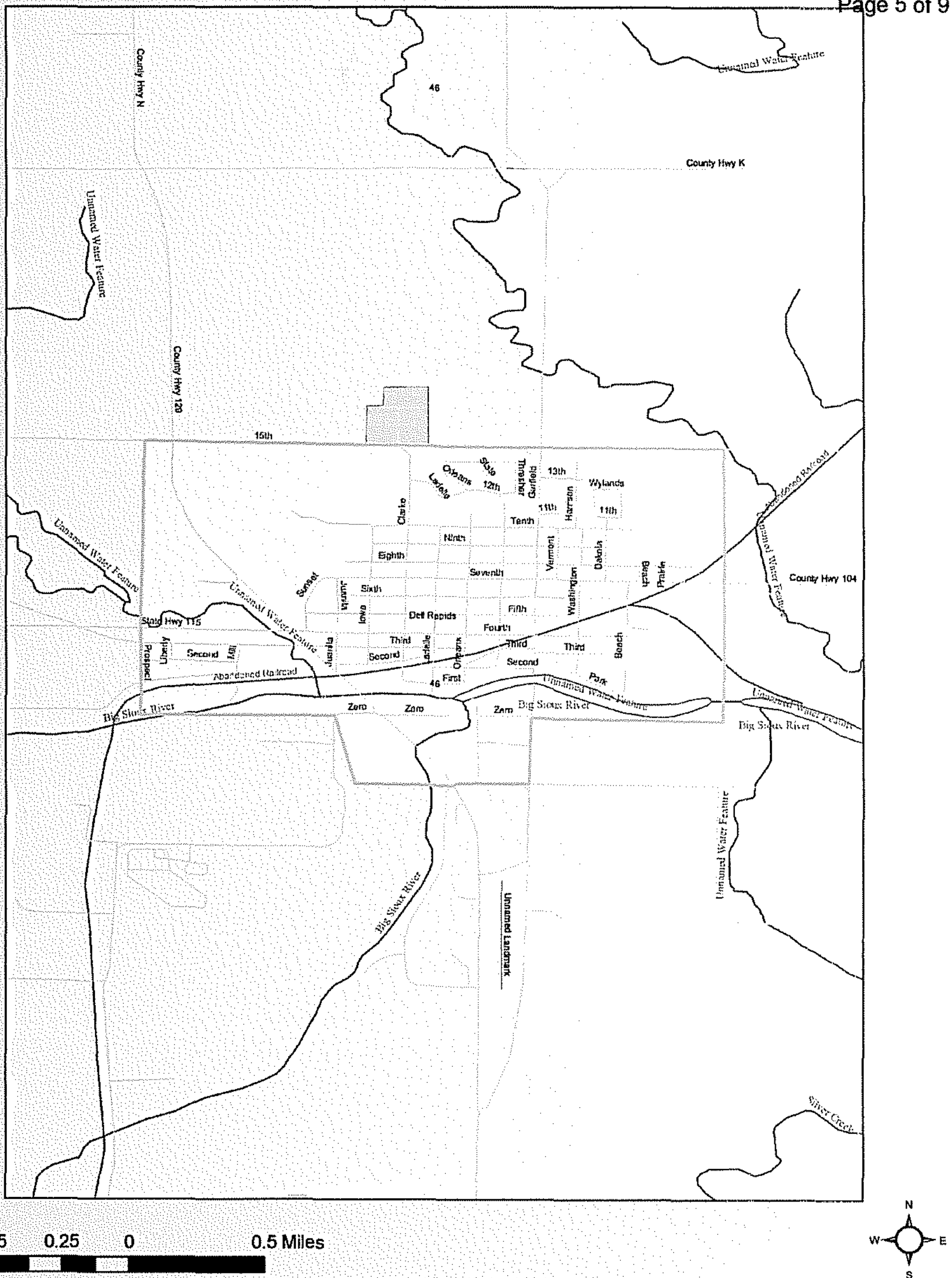
- Drives efficient competitive entry: competitors must assess customer and support revenue streams before entering.
- Investment must be made first. 100% at risk, which punishes inefficient investment.
- De facto cap on support to competitors. Removes from regulators the need to pick winners or limit number of entrants.
- In a high-cost area, the effect on fund is the same irrespective whether one CETC or several CETCs are designated.
- Multiple ETCs cannot construct facilities in highest cost areas – not enough lines to capture.
- Subsequent entrants either do not choose ETC status or they must resell to meet ETC obligations.

Support Must Be Accurately Targeted to High-Cost Areas

- Competition and investment already present in low-cost areas – the goal is to protect ILECs from *subsidized* competition in these areas.
- The 2001 RTF Order set out a very effective means of introducing competition, while also targeting high-cost support to high-cost areas.
- ILECs agreed disaggregation needed to protect their low-cost areas.
- Disaggregation solves the "partial wire center" problem - makes it irrelevant where a competitor enters as an ETC.
- Non-rural carriers are disaggregated by wire center, enabling competitors to target new investment to high-cost areas.
- Virginia Cellular and some state decisions denying ETC in both low and high-cost areas harm consumers because of the failure to require support to be targeted (the Waynesboro-Bergton problem).

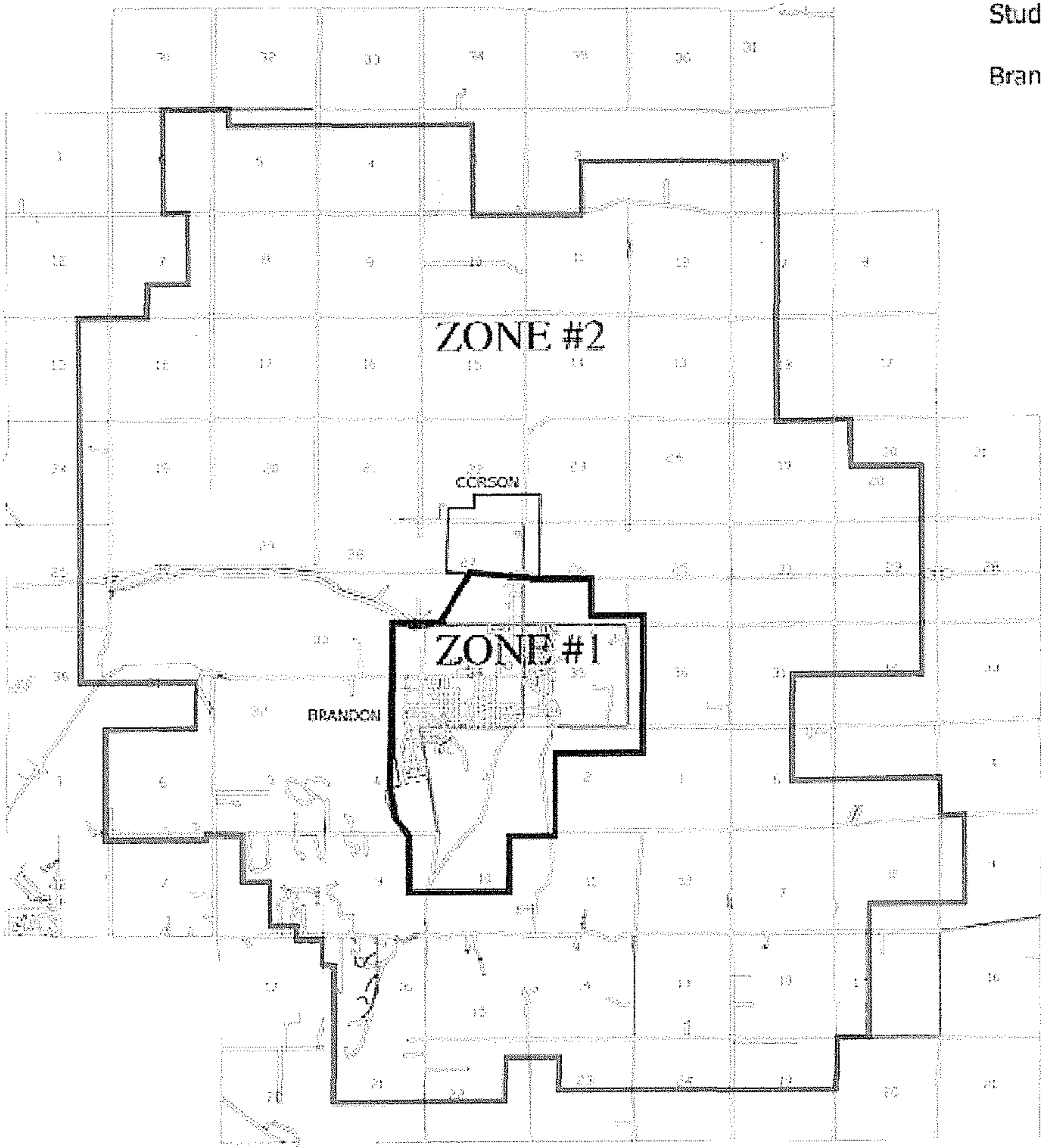
Legend

= Zone 2



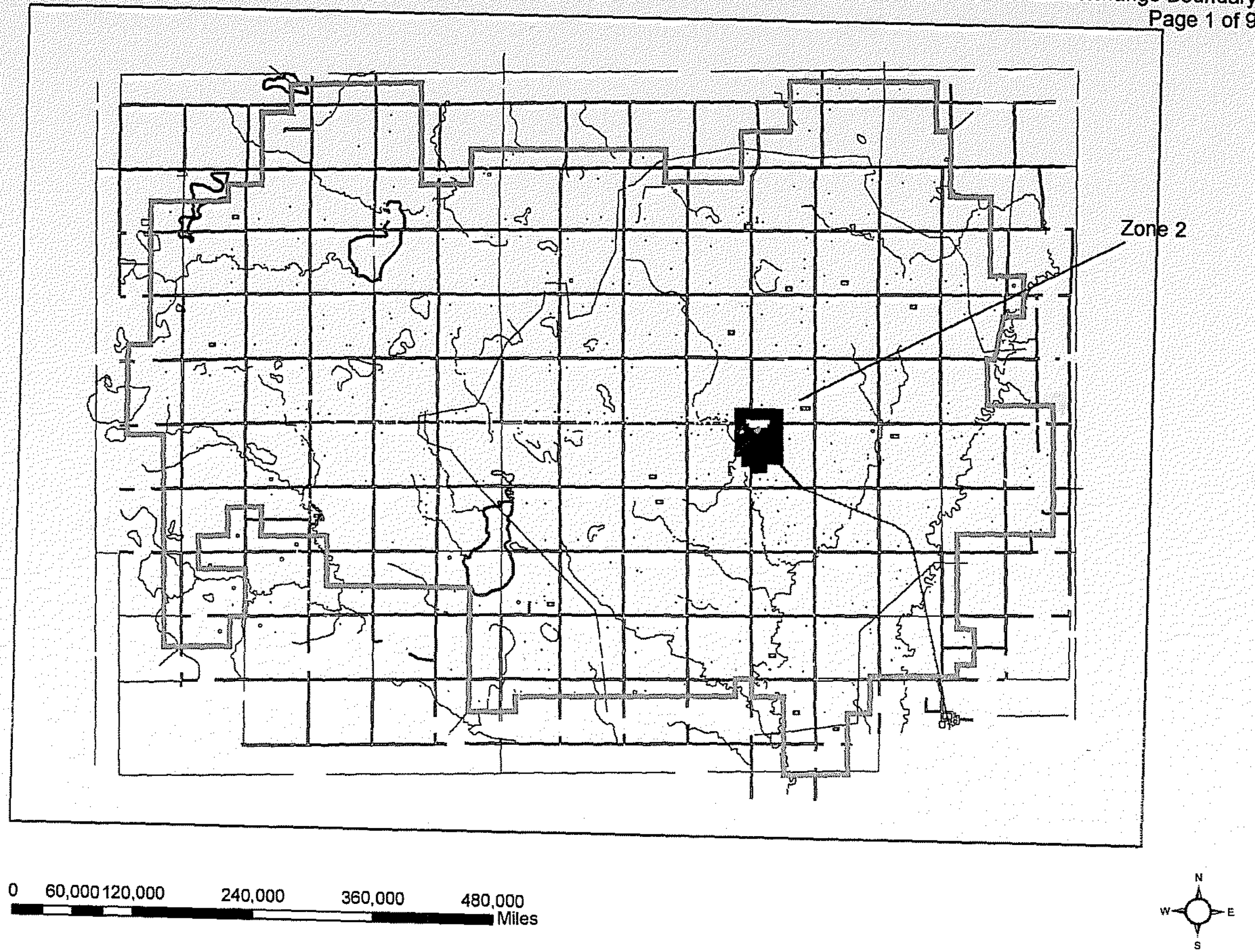
Splitrock Telecom Cooperative, Inc.
Study Area Code: 391657

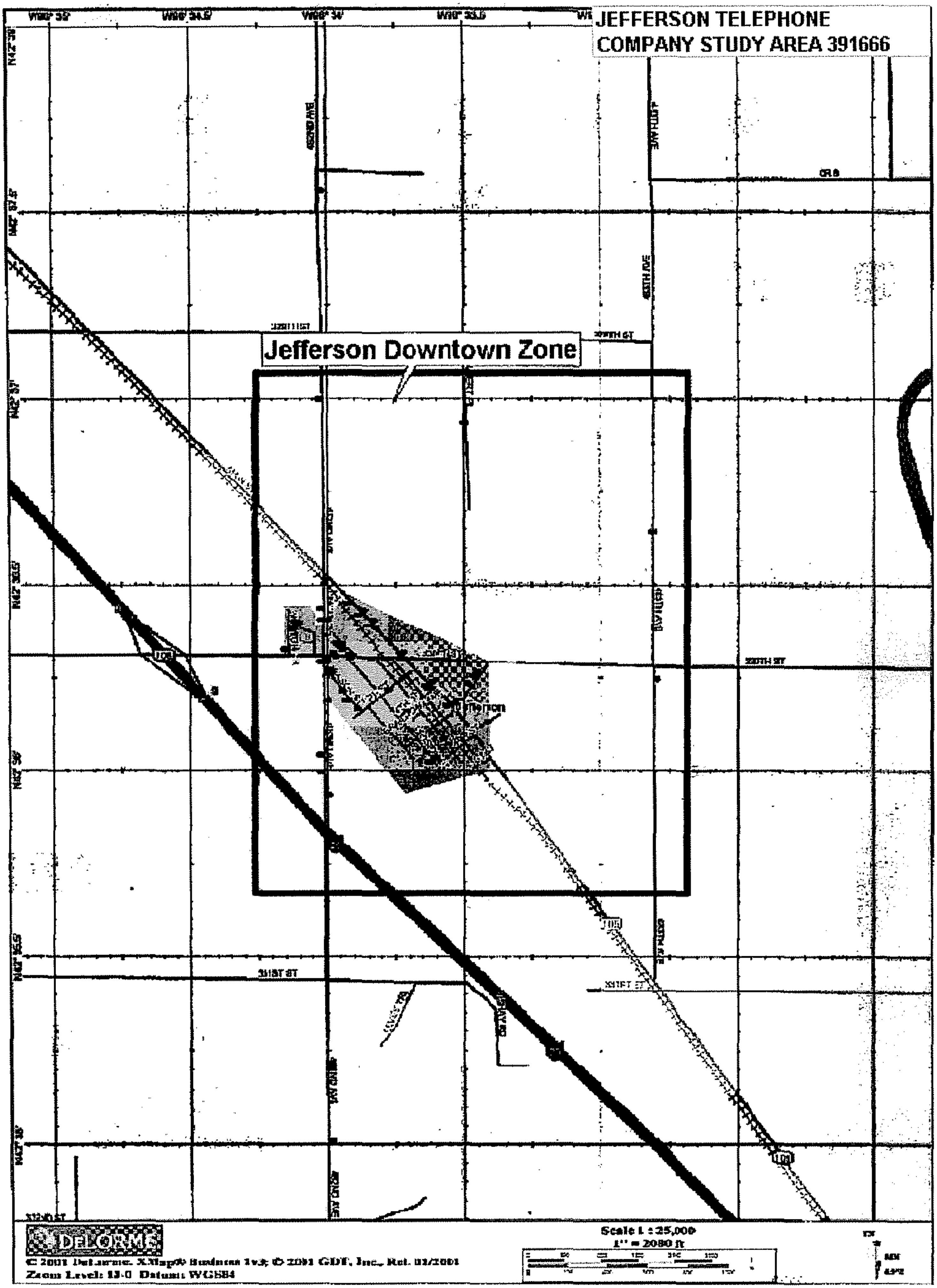
Brandon Exchange



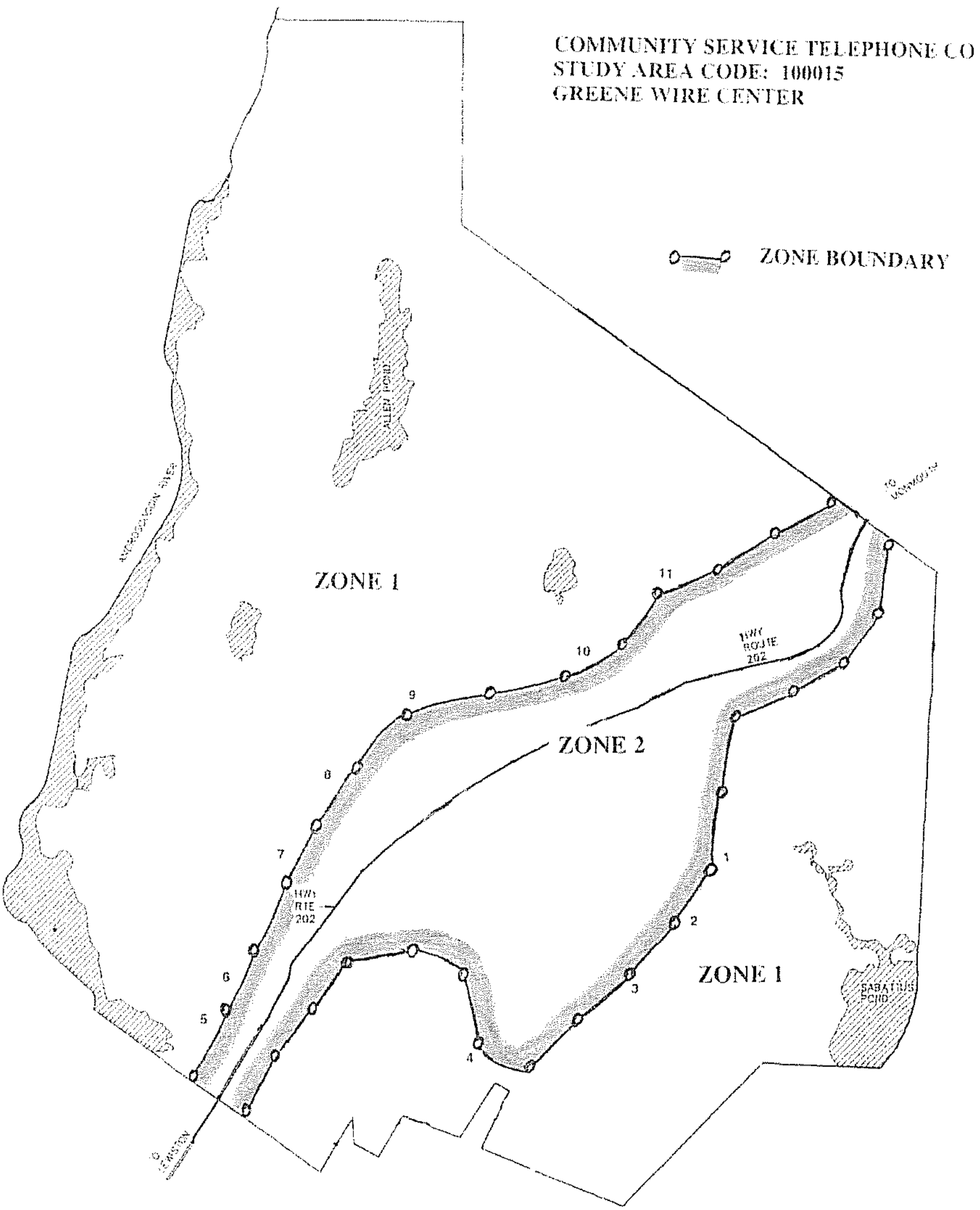
USF Disaggregation
Zone 1 = Entire Exchange less Town of Colton
Zone 2 = See page 2 of 9 for details

Sioux Valley Telephone Company
USAC No. 391677
Colton Exchange Boundary





JEFFERSON TELEPHONE COMPANY STUDY AREA 391666
Jefferson Downtown Zone
331ST ST
Scale 1 : 25,000
1" = 2080 ft
© 2001 DeLorme. XMap® Business 1v3; © 2001 GDT, Inc., Rel. 01/2001
Zoom Level: 13-0 Datum: WGS84



WIRE CENTER EXTERNAL BOUNDARIES ARE AS FILED WITH THE MAINE PUBLIC UTILITIES COMMISSION

POINTS WHERE ROADS INTERSECT ZONE BOUNDARY

1 90 Bull Run Road
2 330 Sawyer Road
3 70 Coburn Road
4 425 College Road
5 85 South River Road
6 50 Saunders Road
7 60 Meadow Hill Road
8 40 Merrill Hill Road
9 160 Patten Road
10 100 Allen Pond Road
11 160 Grey Road

Highland Cellular example:

Table 1

Wire Center Name	Number of Customers	Support Available	Total
Athens	686	$11.92	$8,177.12
Bluefield	**3,470**	**$11.92**	**$41,362.40**
Bluewell	640	$11.92	$7,628.80
Bramwell	113	$11.92	$1,346.96
Matoaka	239	$11.92	$2,848.88
Oakvale	198	$11.92	$2,360.16
Princeton	**4,521**	**$11.92**	**$53,890.32**
Frankford	282	$37.72	$10,637.04
Rupert	27	$16.80	$453.60

Total Without Disaggregation: $128,705.28

Highland Cellular example:

Table 2

Wire Center Name	Number of Customers	Support Available	Total
Athens	686	$38.24	$26,232.64
Bluefield	**3,470**	**$0.00**	**$0.00**
Bluewell	640	$20.44	$13,081.60
Bramwell	113	$20.44	$2,309.72
Matoaka	239	$38.24	$9,139.36
Oakvale	198	$38.24	$7,571.52
Princeton	**4,521**	**$0.00**	**$0.00**
Frankford	282	$34.04	$9,599.28
Rupert	27	$23.80	$642.60

Total With Disaggregation: $68,576.72

Section 332 Preemption Must be Honored

- Virginia Cellular Properly Set the Bar for ETC Designation.
- Most states are designating ETCs under similar or more stringent standards.
- The Commission should reiterate its prior holding that Section 332 preemption is in effect for CMRS carriers that are ETCs.
- For example, some states are conditioning ETC designation on:
  - Submitting to rate regulation in various forms.
  - Requiring minimum local usage on mobile plans, but not wireline plans.
  - Imposing ILEC-style service requirements on wireless ETCs with one size fits all approach.
  - Imposing coverage requirements that only apply to wireless carriers.
  - Various other conditions that collectively form barriers to entry.

Final Points

- Rules must drive wireless investment, not inhibit it.
- FCC should adopt Virginia Cellular model and monitor all carriers' use of support to ensure investment in rural high-cost areas.
- Rural consumers are paying into the fund but are getting only a trickle of benefits for their investment. Wireless now contributes over $2 billion per year, 90% of it going to ILEC competitors.
- FCC must continue its policy of promoting efficient investment – controlling fund growth by limiting entry by qualified carriers does not serve consumers who want choices now.
- States now understand the critical health/safety and economic development benefits that new ETCs are delivering. FCC must encourage investment in rural America.